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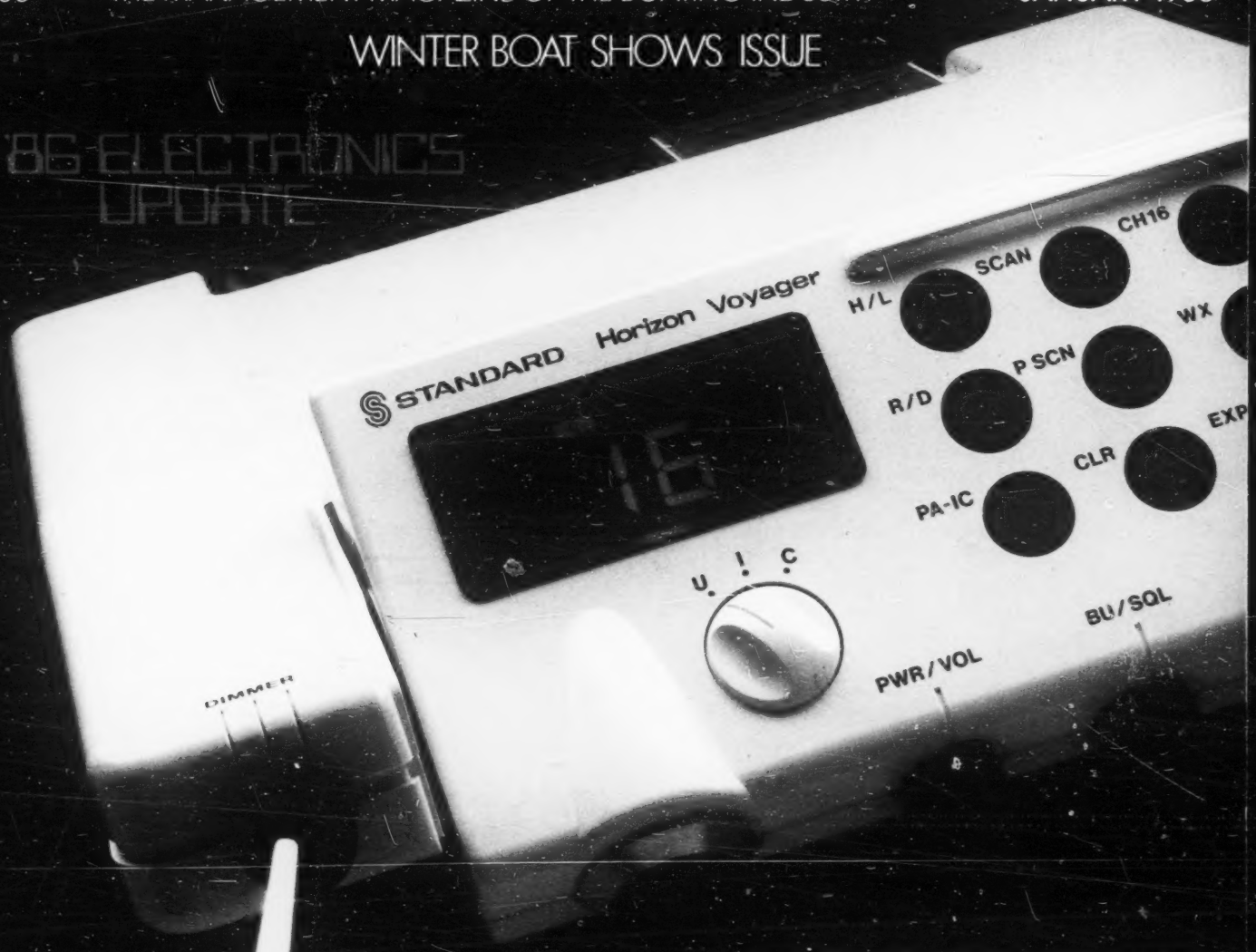
BOATING INDUSTRY

$5.00 THE MANAGEMENT MAGAZINE OF THE BOATING INDUSTRY JANUARY 1986

WINTER BOAT SHOWS ISSUE

'86 ELECTRONICS UPDATE



The Boating Business: 1985

Promoting With Celebrities

Computer Software Buyers' Guide

Packaging Finance & Insurance

How to Price Service

BOATING INDUSTRY

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If you're looking for information about a boating business computer system, this convenient checklist of computer software and features is a good place to start.

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Marine electronics manufacturers are beginning the new year solidly in the black. As consumers turn to the accessory market, the '86 forecast calls for market growth to brush the 20% mark.

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Marine electronics manufacturers expect a banner year in '86. Boating consumers, bent on keeping pace with ever-changing marine technology, are expected to continue heavy buying of electronic accessories to upgrade their boats. PHOTO COURTESY STANDARD COMMUNICATIONS

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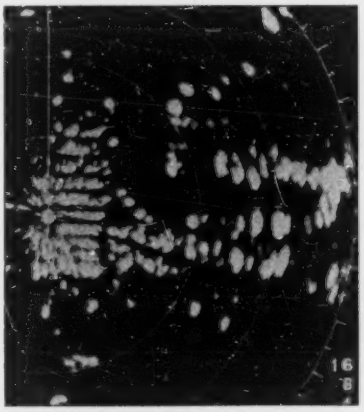


marine electronics sales soar 69

BOATING INDUSTRY

The Boating Business

This is a report on the current state of the pleasure boating industry based on the latest information available. The statistics presented here were compiled by the editors of BOATING INDUSTRY for use as business guidelines during 1986. Some figures are based on our own nationwide surveys, others from materials provided by the National Marine Manufacturers Association, the Water Ski Industry Association, the U.S. Coast Guard, the U.S. Chamber of Commerce, and individual manufacturers and groups. Dollar sales grew an average of 10% in 1985, and all indicators point to greater growth in 1986.

1985

1985 Estimates of the Size of the Recreational Boating Industry

ACROSS THE COUNTRY

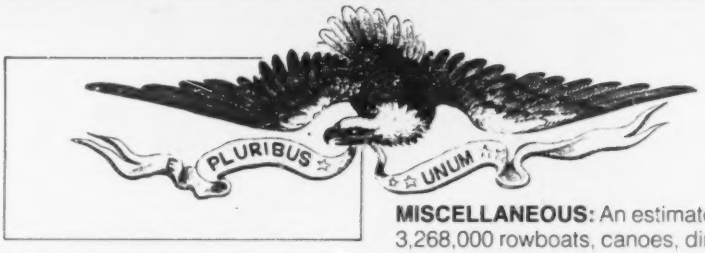
PEOPLE: 67,880,000 Americans participated in recreational boating in 1985, having used the waterways more than once or twice during the year.

WATER SKIERS: Approximately 16,000,000 went water skiing.

BOATS: 13,900,000 pleasure craft made their way through U.S. waters. The following is a breakdown by boat type and propulsion. Due to this format, the total of these individual estimates will exceed the total pleasure craft population estimate quoted above.

OUTBOARD BOATS: 7,471,000 outboard boats owned in the U.S.

INBOARD BOATS: The 442,000 inboard boats owned include auxiliary-powered sailboats and boats documented by the U.S. Coast Guard.



SAILBOATS: 1,174,000 sailboats without inboard power were in use in 1985 on all waters.

OPEN-DECK BOATS: An estimated 122,000 pontoon boats were in use.

HOUSEBOATS: 31,000 houseboats were estimated to have been in use.

INBOARD/OUTDRIVE BOATS: There were an estimated 1,032,000 in use at the close of 1985.

MISCELLANEOUS: An estimated 3,268,000 rowboats, canoes, dinghies, prams and other miscellaneous craft were owned at the end of 1985.

OUTBOARD MOTORS: 9,733,000 outboard motors were in use during 1985.

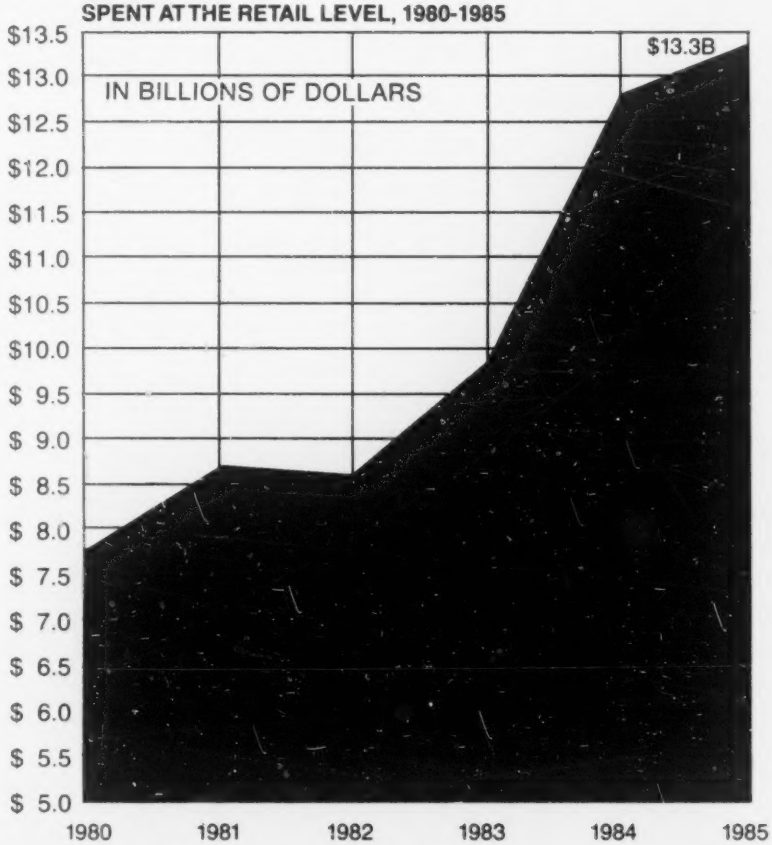
INBOARD ENGINES: Approximately 1,895,000 inboard gasoline and diesel engines were owned, including conversions of automotive engines.

JET DRIVES: By the end of 1985, it is estimated that the number of jet drives in use was 97,000.

BOAT TRAILERS: Approximately 5,171,000 boat trailers were owned in 1985, including those that were both home-made and factory-produced.

MARINAS: Approximately 10,669 marinas, boatyards, yacht clubs, dockominiums, and parks served boaters in the United States during 1985. Marinas, boatyards, and dealer/marina combos accounted for approximately 5,700 units.

SPENT AT THE RETAIL LEVEL, 1980-1985



1985 SALES ESTIMATES

Approximately $13,284,000 was spent at the retail level for new and used boats, motors and engines, accessories, safety equipment, fuel, insurance, docking, maintenance, launching, storage, repairs, and club memberships.

305,000 outboard boats
16,700 inboard boats
115,000 inboard/outdrive boats
34,000 non-powered sailboats (excludes sailboards)
3,800 auxiliary-powered sailboats
78,800 canoes
192,000 boat trailers
392,000 outboard motors
33,500 inflatable boats

NOTE: All estimates include consideration of retail sales from dealers' inventories as well as factory shipments. Previous years' data reflect only the latter.

An Overview of 1985 in the Boating Industry

The boating industry went through a transition year in 1985. The pent-up consumer demand which had characterized the previous three years suddenly bottomed-out last year forcing the pleasure boating industry into a more normal business cycle after unprecedented growth in 1984. This business cycle meant that no particular product category did exceptionally well (compared with 1984 sales), but it also meant that no particular product category did poorly, with the exception of the sailboat industry which experienced one of its worst sales years in its history. Conversely, the powerboat industry experienced one of the best years in its history as the American consumer continued to be attracted by its turn-the-key phenomena. Low fuel prices and the increasing proclivity of manufacturers to sell their boats in "packages," have made powerboats an enduring market segment.

In addition, engines, trailers and accessories also experienced solid growth gains. This is particularly true of the accessory market. Toward the latter half of 1985, we began to see a trend of consumers upgrading their boats more than ever. That trend should continue into 1986 because most people who've wanted to buy a boat already have—now they're looking to spruce it up. Marine electronics, galleyware, foulweather gear, and maintenance products, all sold very well in 1985 and should do even better in 1986.

The stabilization of the pleasure boating industry was perhaps best seen in the area of marine lending, as consumers had widely available outlets from which to borrow at terms and rates they could afford.

A LOOK AT OTHER HAPPENINGS IN THE WORLD OF BOATING

1985 was a "settling" year with many old trends ending and many new ones beginning. There were also numerous ongoing issues of major proportion which continue to concern many in the pleasure boating industry. Let's look at a few of those key issues.

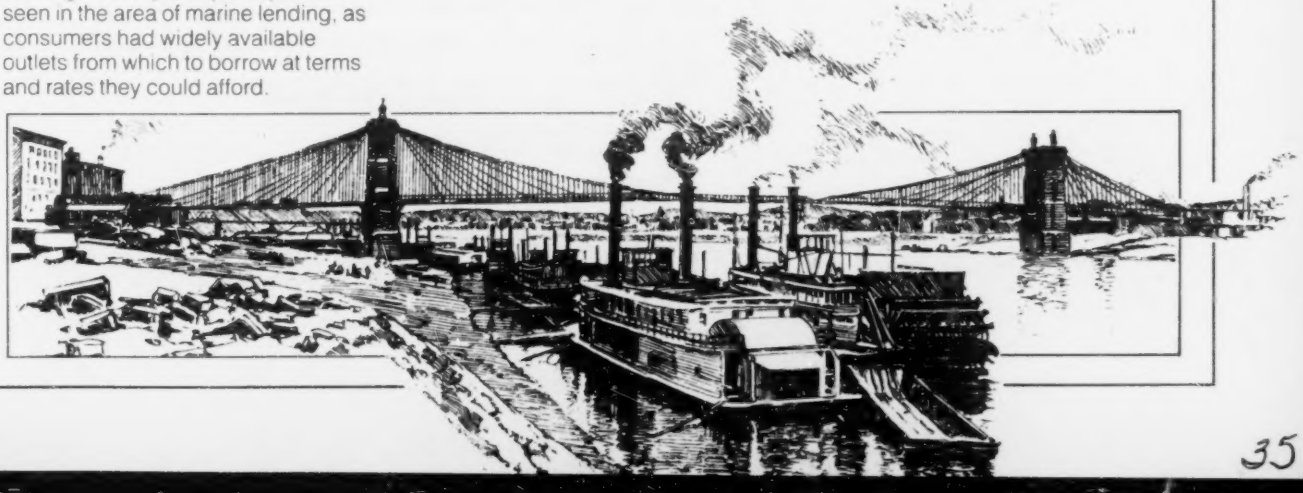
- Waterfront Dockominiums. This growing trend has meant a growing loss of slip space and shorefront as increasing numbers of marina operators have sold out to big buck real estate developers. Dockominiums have become especially prevalent in the Northeast, Mid-Atlantic states and in Florida. California is the next target for dockominium expansion.

- President Ronald Reagan's tax proposal for a $5,000 maximum interest deduction was another issue that deeply concerned the boating community in 1985. As of press time, this issue has still not been resolved. A maximum interest deduction of such a small amount could adversely affect the sales of large cruisers and sailboats (30-feet & up). Proponents of the tax measure have argued that such clients are "gold-coasters" who could afford such a tax ceiling and would probably buy that large cruiser or sailboat regardless. Opponents of the tax measure have countered that such a restriction would dissuade many mid-size boat owners from trading-up to larger craft. That is probably true; but it's also true that the tax measure is likely to be heavily revised and perhaps leave boating unscathed.

- Boat "packaging" from manufacturer to dealer, became a popular marketing ploy last year. Boatbuilders such as Sea Ray and Bayliner and Hunter Marine all utilized this marketing concept to enhance sales by moving product across three product areas: boat, engine and trailer. This created less work on the part of the dealer in terms of rig-time. And it gave the consumer low price product without the need to mix and match. 1986 should see the continuance of this trend especially among sailboat builders who are searching for cost-effective ways to reverse the red ink.

- Another major development in 1985 was the large number of mergers and acquisitions within the industry. More than 100 such exchanges of command took place; most notably Minstar, the corporate conglomerate headed by Irwin Jacobs who added AMF Hatteras and Wellcraft to his already impressive stable of subsidiaries. Such mergers and acquisitions have concentrated the forces that be within the industry, which can only mean that vertical integration cannot be far behind.

- Finally—innovation. The boating industry witnessed several new innovative products last year such as OMC's Cobra. And new introductions for '86 such as Volvo Penta's 170 diesel and Wellcraft's state-of-the-art Scarab 46. Profits from 1984 made 1985 a super year for research and development. That trend should begin to slacken slightly.



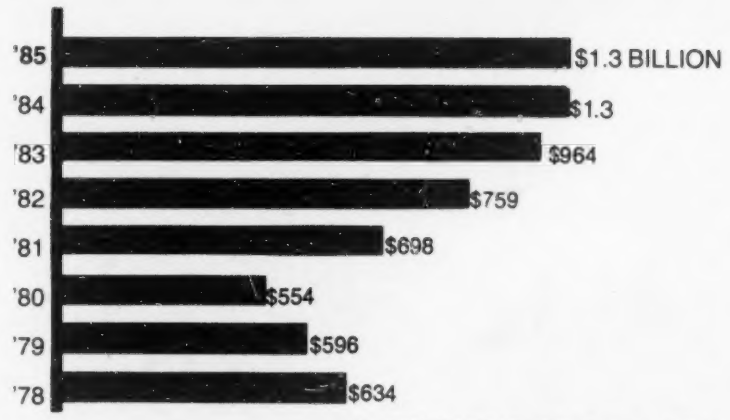
Sales of New Outboard Boats, Motors and Inboard/Outdrive Boats

IN DOLLARS AND UNITS

	1982	1983	1984	1985
$3,365 AVERAGE RETAIL COST OF 1985 OUTBOARD MOTOR				
Total units sold	293,000	337,000	411,000	392,000
Retail value	$758,870,000	$963,820,000	$1,293,828,000	$1,319,080,000
Average Value	$2,590	$2,860	$3,148	$3,365
$2,490 AVERAGE RETAIL COST OF 1985 OUTBOARD BOAT				
Total units sold	236,000	273,000	317,000	305,000
Retail value	$408,752,000	$501,501,000	$708,178,000	$759,450,000
Average value	$1,732	$1,837	$2,234	$2,490
$14,464 AVERAGE RETAIL COST OF 1985 INBOARD/OUTDRIVE BOAT				
Total units sold	55,000	79,000	108,000	115,000
Retail value	$685,850,000	$974,860,000	$1,442,016,000	$1,663,360,000
Average value	$12,470	$12,340	$13,352	$14,464
$790 AVERAGE RETAIL COST OF 1985 TRAILER				
Total units sold	160,000	184,000	200,000	192,000
Retail value	$99,360,000	$121,624,000	$146,800,000	$151,680,000
Average value	$621	$661	$734	$790

Outboard Motor Sales

The average retail cost of an outboard motor continues to spiral upward. In '85 the average unit cost edged up to $3,365, an increase of $217 over the average '84 unit cost, or 7%. Unit sales in '85 declined by 19,000 units, but revenues increased by $25,000 over last year. Price discounting, a soft international market, and an increase in suppliers of outboards have impacted profits of domestic producers.



Exports Decline 8.8% in Dollar Value

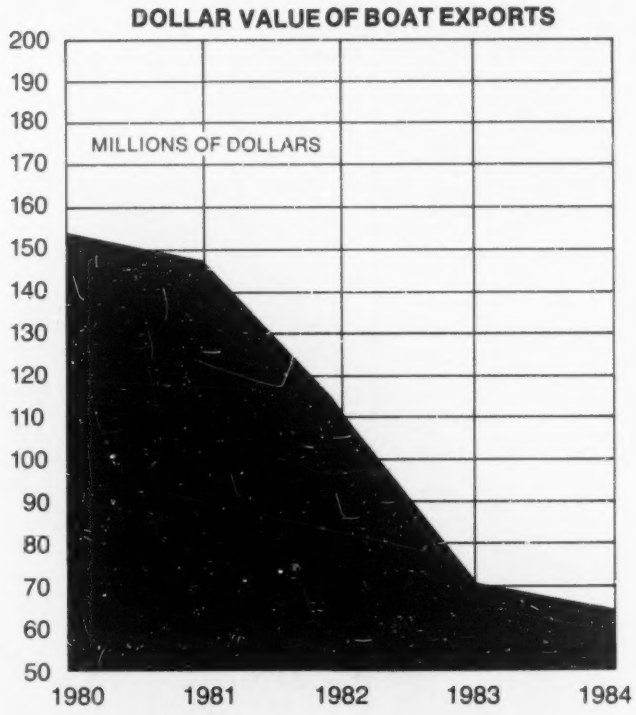
The export market for United States pleasure boats and recreational boating products continues to flounder. Despite some signs of weakening, the American dollar remains strong, discouraging overseas buyers.

The latest figures available confirm what American marketers already know—the export market is still wallowing in a trough. In '84, exports totaled $65,249,000—$6,288,000 less than the year before. In percentages, the export market has declined 42.5%—$48,412,000—in just two years.

The export market for American made sailboats, sail hardware, clothing and navigational instruments is especially weak. Better opportunities exist in boat maintenance products, steering systems, hoists, and unique hardware.

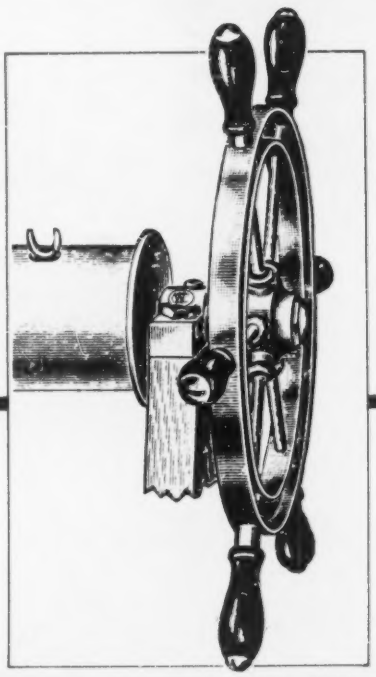
In terms of dollar volume, the leading markets for American boats and boating products were: Canada ($17.3M); Kuwait ($4.6M); France ($3.5M); Spain ($2.8M); West Germany ($2.8M); Italy ($2.6M); Nigeria ($1.5M); United Kingdom ($1.5M); Greece ($1.4M); and Australia ($1.3M).

DOLLAR VALUE OF BOAT EXPORTS



DOLLAR VALUE OF BOAT EXPORTS

Year	Value	% Change
1984	$ 65,249,000	−8.8
1983	$ 71,537,000	−37
1982	$113,661,000	−21.7
1981	$145,136,693	−26.0
1980	$154,842,274	+8.9
1979	$142,148,702	+60.2
1978	$ 88,724,112	+13.2
1977	$ 77,983,753	+4.8
1976	$ 74,434,542	+20.5

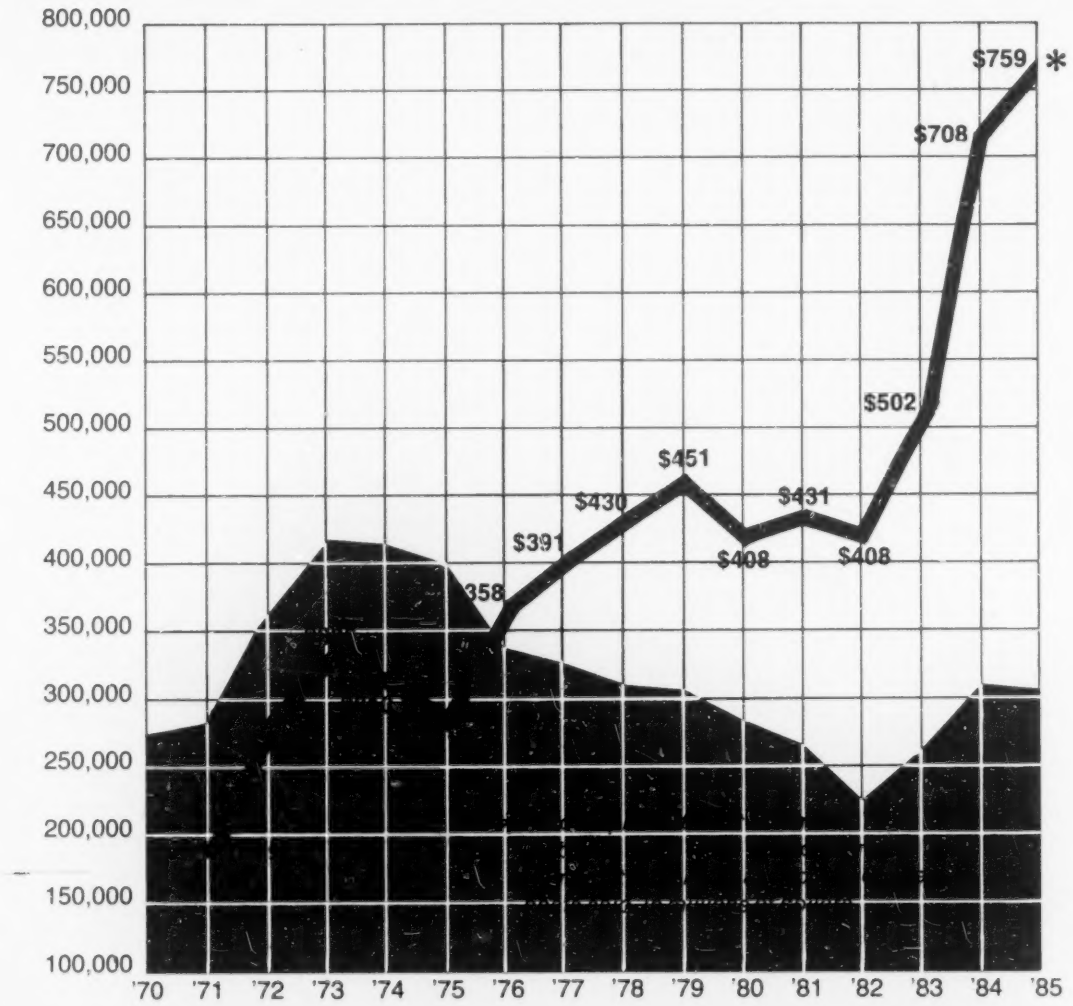


BEST EXPORT MARKETS

The markets listed below appear to be the most promising for U.S. exports of pleasure boats and accessories in the immediate future.

Canada	Italy
Kuwait	Nigeria
France	United Kingdom
Spain	Greece
West Germany	Australia

Outboard Boat Sales Level Off



Although dollar sales of outboard boats hit the $759,450,000 mark in 1985, an increase of $51,372,000 over the previous year, unit sales declined by 12,000 units to the 305,000 mark. The average price for an outboard boat purchased in '85 was $2,490, an increase of $256, or 11%, over the boater's outlay for a similar boat in 1984.

The downturn in sales is in line with the stabilizing of the marketplace. Pent-up consumer demand as a consequence of retrenched buying during the recessionary period in the early eighties, for all intents and purposes, has been satisfied. The ready availability of product and financing has positioned the buyer squarely in the driver's seat. It is expected that outboard sales will continue at strong levels in '86 powered by innovation in hull designs, more efficient, high-tech powerplants, and the promotional blitz being waged by outboard manufacturers; especially in the area of megabuck fishing tournaments.

Average Length of Outboard Boats Hold Steady at Sixteen Feet

AVERAGE LENGTH

1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
14.8 FEET	14.9 FEET	15.1 FEET	16.3 FEET	15.8 FEET	15.8 FEET	15.8 FEET	15.8 FEET	16.0 FEET	16.0 FEET

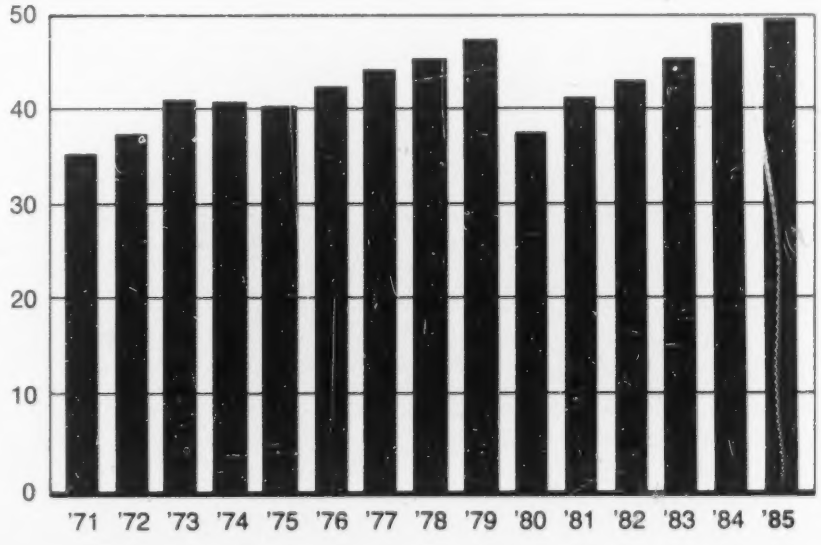
In 1985, the average length of outboard boats sold held steady at 16 ft. The marketing strategies employed by several of the giants in small boatbuilding have made a significant impact on the brisk sales pace of outboard boats in the 16 ft. range. Over the last few years, there has been an accelerated push to court the entry-level boater with a matched package—boat, motor, and trailer—that is affordably priced, and ready to go. This turn-key marketing approach has resulted in high volume sales of smaller boats. In addition, watersports activities are attracting growing numbers of participants; water skiing and fishing in particular. As a consequence, sport boats, ski boats, and runabouts are selling well.

More aggressive marketing at the dealer level, a revitalized interest on the part of banks and financing groups in retail paper, and the affordability of getting into boating at the ground level, is likely to maintain the popularity of the 16 ft. outboard for yet another year.

Outboard Motor Horsepower... An Upward Trend

The upward trend in average horsepower that started in '81 shows little sign of abatement. In '85, the average horsepower of outboard motors sold increased to 49.7, nosing ahead of the 48.9 rating in 1984.

High volume sales of entry-level "boat packages" which incorporate outboards in the 50 horsepower range, as well as vigorous growth in watersports activities whose power needs dovetail into the capabilities of the 50 horsepower outboard, have helped make this powerplant "number one" the last two years.



1984 Imports Show Hefty 37% Increase

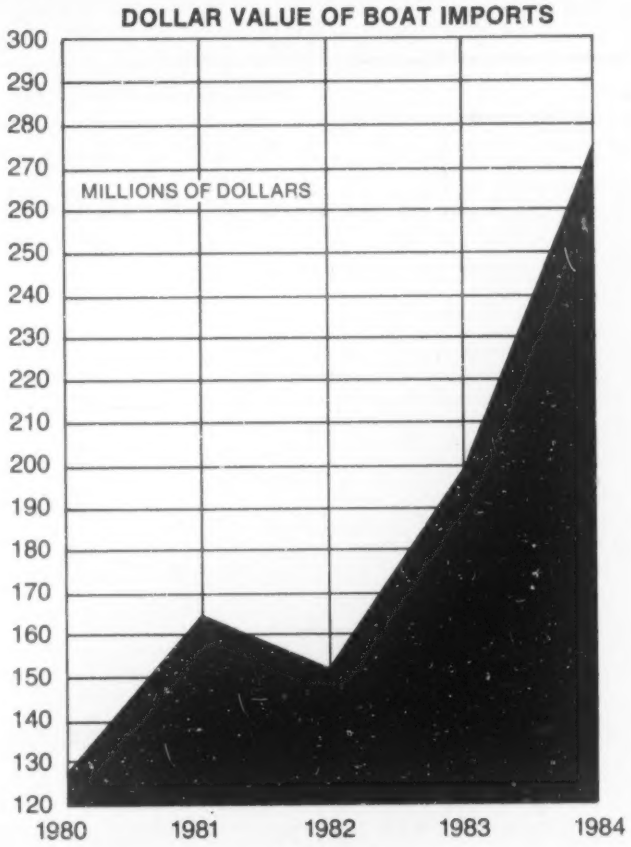
The purchasing power of the American dollar has made the U.S. market especially appealing to exporters. A stream of pleasurecraft is flowing into the hands of anxious American consumers who are enamored with the sleek designs and quality of many imported boats.

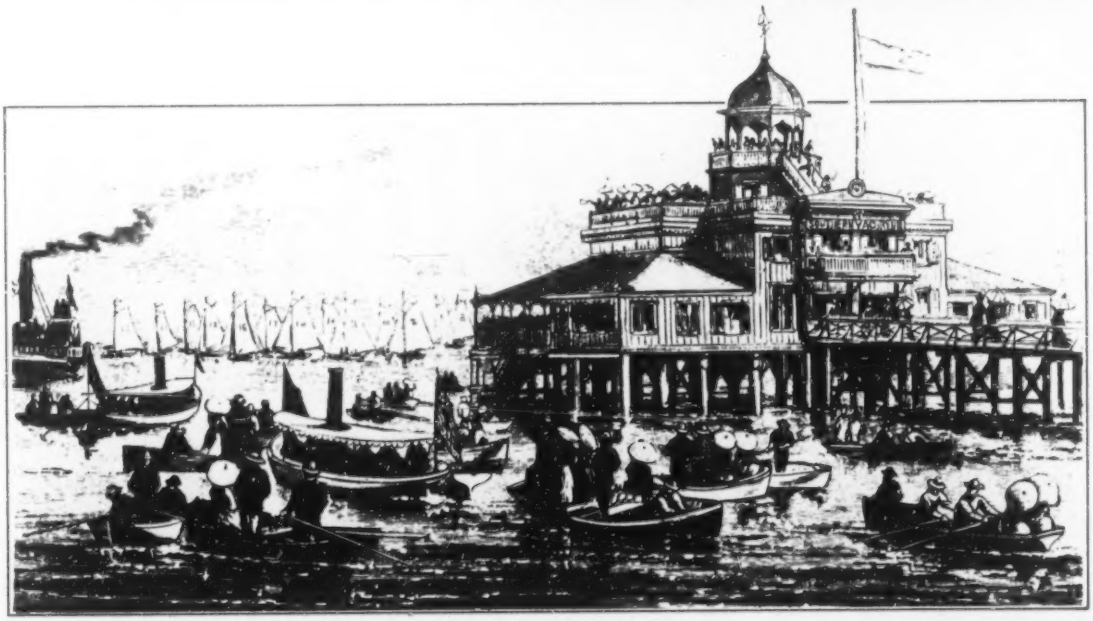
In 1984, the dollar value of boats exported to the United States hit the $273.7 million dollar mark.

The major boat exporters to the United States were: Taiwan ($92.5M); Canada ($37.6M); Singapore ($28.3M); France ($24.2M); Japan ($21.1M); United Kingdom ($17.2M); Netherlands ($14.7M); Finland ($12.0); Hong Kong ($11.8M); Italy ($9.5M);

DOLLAR VALUE OF BOAT IMPORTS

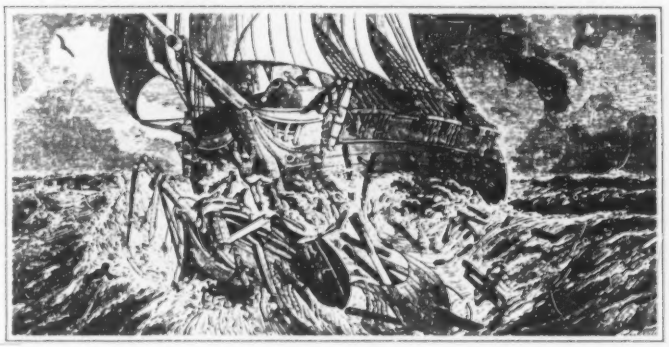
Year	Value	% Change
1984	$273,682,000	+37
1983	$199,359,000	+32
1982	$151,225,000	−8.2
1981	$164,712,949	+28.0
1980	$128,233,550	−4.7
1979	$134,541,117	+27.3
1978	$105,657,112	+32.1
1977	$ 79,965,379	+41.4
1976	$ 56,587,692	+9.1





Accidents Up in 1984

The number of boating accidents continued their upward climb in 1984. There were 5,700 boating accidents reported to the Coast Guard in 1984 up from 5,569 the previous year. Industry analysts attribute the increase to the expanded number of boaters on the water. However, it should also be noted that the number of persons who died or were injured non-fatally in accidents, saw a decline. This would indicate that boaters have become more experienced and more careful on the water.

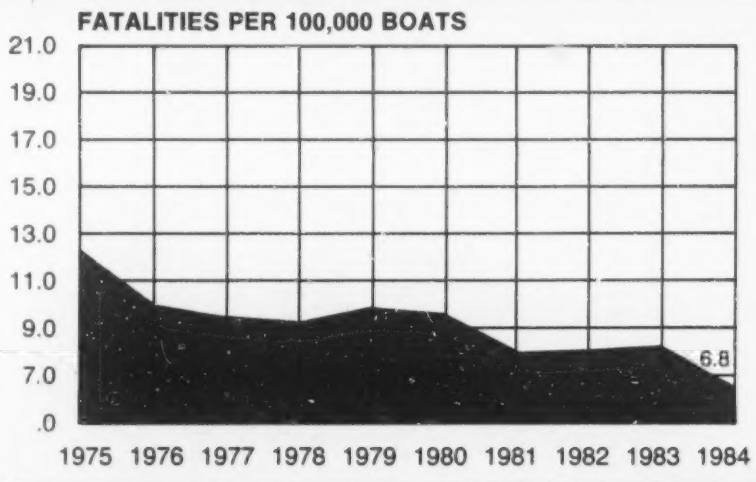


1981	1982	1983	1984	
5,128	5,377	5,569	5,700	boating accidents reported to the Coast Guard
6,573	7,071	7,344	7,510	boats involved in accidents reported to the Coast Guard
1,208	1,178	1,241	1,063	lives lost in boating accidents reported to the Coast Guard
2,438	2,682	2,913	2,709	persons injured non-fatally in boating accidents reported to the Coast Guard

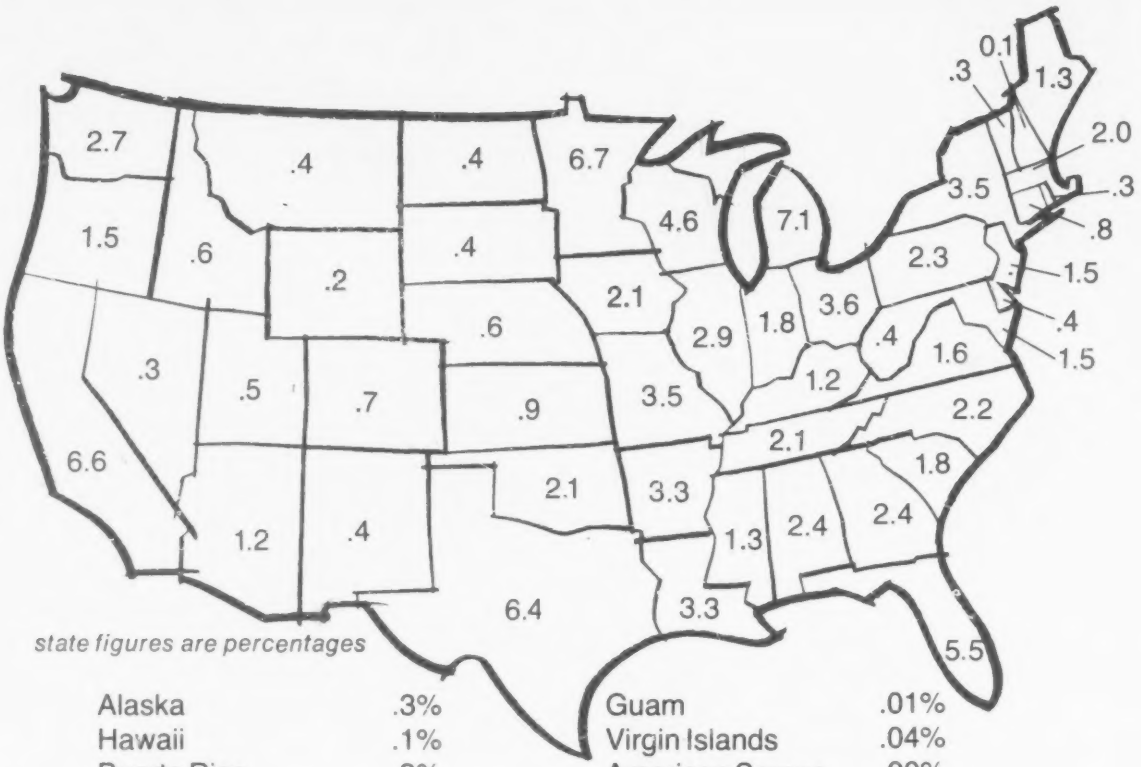
Fatalities Rise: Death Rate Per 100,000 Boats Decreases to 6.8

In 1984 the death rate per 100,000 boats declined dramatically from 8.1 in 1983 to 6.8 in 1984.

Marine analysts point to increased safety precautions on the part of the consumer as the key factor. Mr. Boat Owner has simply become more knowledgeable about the importance of boating safety. This was not true between 1982 and 1983 when a revitalized U.S. economy brought a deluge of new, inexperienced boaters onto the water. The point: those boaters have come of age.



Distribution of 9,420,011 Registered Boats by State



Alaska	.3%	Guam	.01%
Hawaii	.1%	Virgin Islands	.04%
Puerto Rico	.3%	American Samoa	.00%
District of Columbia	.05%	Northern Marianas	.00%

States	Population (thousands)	Total Registered Boats	% of Total Registered Boats in the U.S.	One Boat Per( ) Persons	Sq. Miles Inland Water	Miles of Coastal Shoreline	EFFECTIVE BUYING INCOME			
							Per Capita	Median Household	Total Households (thousands)	Total Households over $20,000 (thousands)
NEW ENGLAND—444,820 REGISTERED BOATS 4.72%										
Connecticut	3,152.8	72,591	0.77	43.4	147	618	14,096	34,107	1,142.3	847.3
Maine	1,165.8	117,842	1.25	9.9	2,270	3,478	9,303	22,359	422.3	236.5
Massachusetts	5,807.9	184,140	1.95	31.5	460	1,519	12,277	29,471	2,142.9	1,449.3
New Hampshire	982.4	9,242	0.10	106.3	286	131	11,365	27,648	356.9	237.5
Rhode Island	963.0	31,231	0.33	30.8	158	384	10,976	26,622	347.8	220.9
Vermont	533.4	29,774	0.32	17.9	341	—	9,357	22,235	194.4	108.8
MIDDLE ATLANTIC—1,619,549 REGISTERED BOATS 17.19%										
Delaware	615.0	37,402	0.40	16.4	112	381	11,215	28,023	217.9	144.1
District of Columbia	618.1	3,391	0.04	182.3	—	—	14,176	27,825	250.1	163.1
Georgia	5,889.6	225,812	2.40	26.1	854	2,344	9,678	23,393	2,064.8	1,186.7
Maryland	4,381.6	142,795	1.52	30.7	623	3,190	11,554	28,976	1,567.6	1,070.7
New Jersey	7,545.8	140,884	1.50	53.6	319	1,792	13,199	32,556	2,724.5	1,947.6
New York	17,915.5	331,742	3.52	54.0	1,731	1,850	11,723	27,161	6,616.6	4,204.5
North Carolina	6,215.9	202,908	2.15	30.6	3,826	3,375	9,135	21,823	2,240.6	1,221.9
Pennsylvania	11,965.4	217,293	2.31	55.1	420	89	10,572	25,213	4,451.8	2,739.3
South Carolina	3,353.4	168,323	1.79	19.9	909	2,876	8,514	20,969	1,172.0	614.9
Virginia	5,692.4	148,999	1.58	38.2	1,063	3,315	11,015	27,170	1,982.2	1,288.1

The source of the figures used in the Effective Buying Income section and Population section are from the July, 1985 issue of *Sales and Marketing Management*. The figures are estimated for 12/31/84.

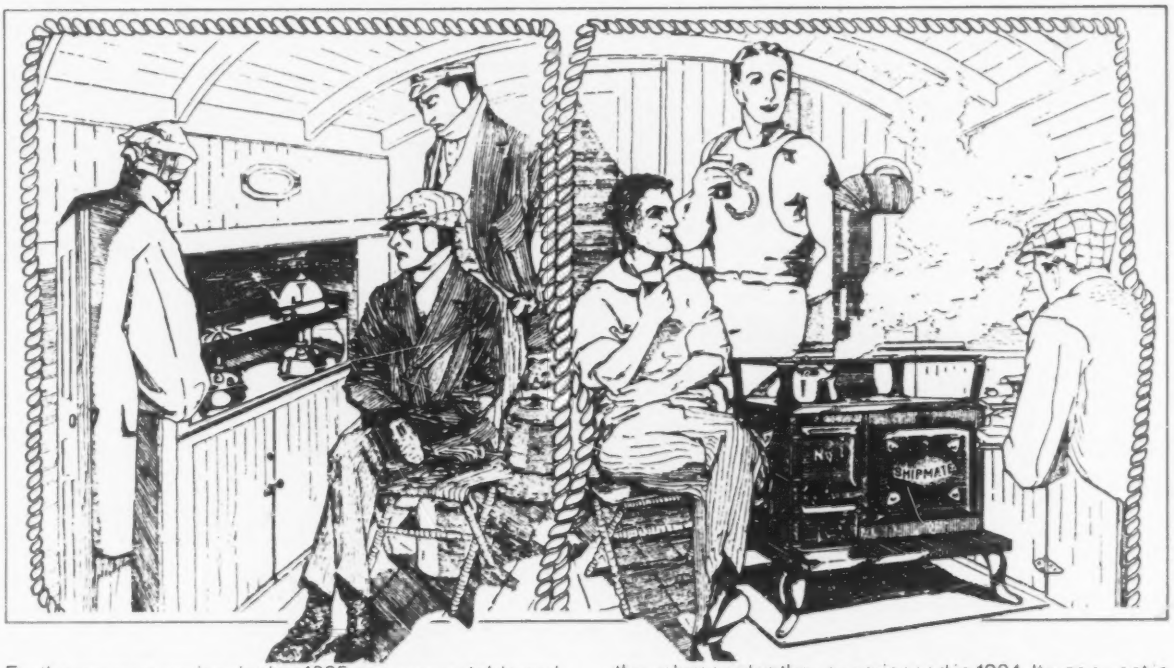
The source of the figures used in the Inland Water section is the U.S. Bureau of the Census, Areas of the U.S., 1980 State Area Management Print-out.

The source of the Coastal Shoreline figures is the U.S. National Oceanic and Atmospheric Administration, *the Coastline of the U.S.*, 1975.

States	Population (thousands)	Total Registered Boats	% of Total Registered Boats in the U.S.	One Boat Per ( ) Persons	Sq. Miles Inland Water*	Miles of Coastal Shoreline	EFFECTIVE BUYING INCOME			
							Per Capita	Median Household	Total Households (thousands)	Total Households over $20,000 (thousands)
GULF COAST—1,781,202 REGISTERED BOATS 18.91%										
Alabama	4,042.4	229,890	2.44	17.6	938	607	8,538	19,846	1,464.8	727.1
Florida	11,166.0	517,365	5.49	21.6	4,511	5,095	10,758	22,338	4,393.0	2,439.9
Louisiana	4,500.7	312,119	3.31	14.4	3,230	7,721	9,395	22,745	1,567.9	869.5
Mississippi	2,627.2	122,237	1.30	21.5	456	359	7,642	18,099	899.2	408.6
Texas	16,167.6	599,591	6.37	27.0	4,790	3,359	10,693	26,004	5,647.6	3,503.8
EAST CENTRAL—988,005 REGISTERED BOATS 10.49%										
Arkansas	2,377.8	309,831	3.29	7.7	1,109	—	8,339	19,018	858.3	408.1
Kentucky	3,769.7	114,546	1.22	32.9	740	—	8,968	21,373	1,336.6	708.9
Missouri	5,046.6	328,440	3.49	15.4	752	—	10,267	24,002	1,842.7	1076.7
Tennessee	4,759.9	196,446	2.09	24.2	989	—	9,234	21,328	1,729.3	918.3
West Virginia	1,972.5	38,742	0.41	50.9	112	—	8,504	20,183	724.0	365.1
GREAT LAKES—2,517,712 REGISTERED BOATS 26.73%										
Illinois	11,552.9	275,470	2.92	41.9	700	—	11,664	28,542	4,208.9	2,794.2
Indiana	5,556.9	173,006	1.84	32.1	253	—	9,824	24,802	1,986.7	1,215.3
Michigan	9,180.2	665,540	7.07	13.8	1,573	—	10,693	27,111	3,291.4	2,119.5
Minnesota	4,183.6	629,291	6.68	6.6	4,854	—	11,156	27,037	1,530.7	985.4
Ohio	10,813.8	338,184	3.59	32.0	325	—	10,407	25,433	3,996.2	2,477.5
Wisconsin	4,788.3	436,221	4.63	11.0	1,727	—	10,482	25,695	1,767.4	1,108.8
WEST COAST—1,013,070 REGISTERED BOATS 10.75%										
California	25,806.6	619,087	6.57	41.7	2,407	3,427	12,160	28,348	9,490.5	6,254.6
Oregon	2,693.3	140,003	1.49	19.2	889	1,410	9,845	22,796	1,024.6	582.2
Washington	4,386.4	253,980	2.70	17.3	1,627	3,026	11,307	25,694	1,692.1	1,047.9
MIDWEST MOUNTAINS—990,467 REGISTERED BOATS 10.51%										
Arizona	3,106.3	112,047	1.19	27.7	492	—	9,865	22,658	1,167.4	657.9
Colorado	3,224.7	66,016	0.70	48.8	496	—	11,639	26,549	1,240.8	795.6
Idaho	1,017.1	67,471	0.72	15.1	1,153	—	8,882	22,705	348.2	197.7
Iowa	2,941.3	175,470	1.86	16.8	309	—	10,310	23,963	1,118.7	662.4
Kansas	2,448.0	83,305	0.88	29.4	499	—	11,767	26,762	921.6	588.9
Montana	827.6	34,395	0.37	24.1	1,657	—	9,340	21,546	314.7	169.3
Nebraska	1,619.4	54,913	0.58	29.5	711	—	10,831	24,698	607.9	366.6
Nevada	920.4	31,288	0.33	29.4	667	—	11,328	24,526	369.4	223.9
New Mexico	1,451.1	34,114	0.36	42.5	258	—	9,010	21,529	514.4	275.8
North Dakota	692.4	33,723	0.36	20.5	1,403	—	11,225	27,398	243.2	157.8
Oklahoma	3,348.6	193,022	2.05	17.3	1,301	—	10,222	22,913	1,255.2	708.4
South Dakota	713.7	33,091	0.35	21.6	1,164	—	9,782	22,304	261.6	144.4
Utah	1,680.5	51,781	0.55	32.5	2,826	—	8,350	24,263	521.9	316.7
Wyoming	515.6	19,831	0.21	26.0	820	—	11,208	28,191	187.8	125.6
NON CONTIGUOUS—65,186 REGISTERED BOATS 0.69%										
Alaska	523.7	24,608	0.26	21.3	20,171	31,383	13,917	36,028	178.7	132.7
Hawaii	1,053.9	13,112	0.14	80.4	46	1,052	11,100	30,724	328.8	230.5
American Samoa		78	.00							
Guam		690	0.01							
N. Marianas		190	.00							
Puerto Rico		23,083	0.25							
Virgin Islands		3,425	0.04							

* Excludes the waters of the adjacent Great Lakes. Areas listed in sq. miles: Lake Michigan (22,178), Lake Erie (5,002), Lake Superior (21,118), Lake Huron (8,975).

The Average Dealer, 1985



For the average marine dealer, 1985 was a very stable and profitable year. It was not the across-the-board gold rush of 1984 where nearly every product category performed briskly. But it was a year in which the average dealer improved sales by approximately 15%; another healthy increase after coming off 25% growth the previous year.

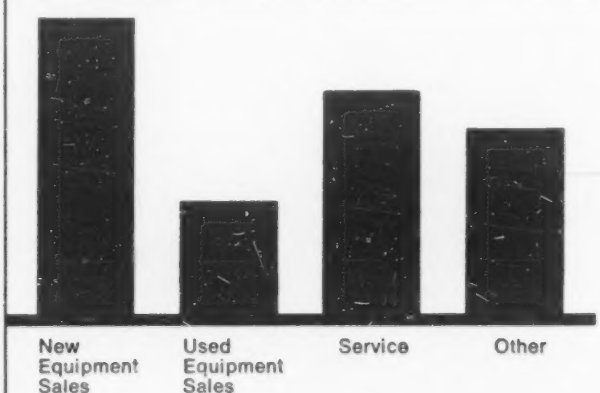
According to several surveys of dealers interviewed over the course of 1985, many retailers saw the year as bittersweet. It was bitter in the sense that 1985 did not reap the volume sales they experienced in 1984. It was sweet in the sense that many retailers felt relief that the boating industry was heading back into some kind of normal business cycle after five years of "roller-coaster" sales—never knowing from one year to the next how sales would be. As a result they felt that ordering for the 1986 season would be less problematic because product categories were easier to calibrate. There were no violent increases or decreases in any one category.

Of all types of marine dealers, it was the powerboat retailer who did particularly well; as opposed to the sailboat retailer who did poorly. In addition, retailers of marine accessory goods such as the discount houses, experienced a solid increase in sales.

As far as earnings, the average marine dealer grossed more than $800,000 in 1985 after grossing less than $700,000 in 1984. If that dealer happened to be on the waterfront, his gross revenues were well over $1 million.

As Mr. Average Dealer looks toward 1986, he will be looking at another year of stability and minimal 10% growth. His main concern is President Reagan's tax proposal which calls for a $5,000 maximum interest deduction. If passed, dealers of large and mid-sized cruisers may see a decrease in sales activity as consumers may not be so quick to "trade-up." They may want to stick with what they've got and even improve upon it in terms of internal accouterments. If this happens, then Mr. Average Dealer should experience a marked increase in accessory sales in 1986.

SOURCES OF GROSS INCOME, 1985



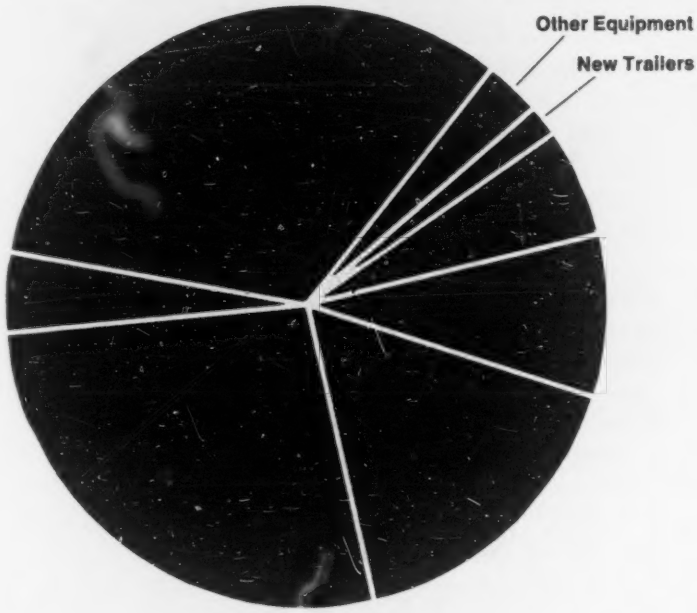
Marinas and Boatyards, 1985

The trend toward dockominiums and waterfront housing developments incorporating private marina facilities continues to gain momentum. As marina operators and waterfront-based dealers succumb to overtures from developers, there has been a proportionate decline in the number of slips available to boaters.

As a result of diminished access to coastlines, and the escalating cost of waterfront development, dry rack storage as a new revenue source for dealers and marina operators is enjoying growing acceptance. While marinas have stepped up their sales and service operations, there is great interest in adding new profit centers—emergency rescue service for stranded boaters is one example.

As a result of industry research, a more reliable census of existing boating facilities has emerged, which changes the numbers dramatically. In '84 it had been estimated that 5,789 facilities of all types were serving the needs of pleasureboaters in the United States. The revised figure for '85, ups that number fo 10,699.

MARINA INCOME: WHERE THE DOLLARS COME FROM



The Water Ski Market

PEOPLE: 15,670,000 persons participated in water skiing at least once during 1985.

UNIT SALES BY TYPE:
528,400 combination/regular skis
130,040 slalom skis
6,975 trick skis
1,512 jump skis

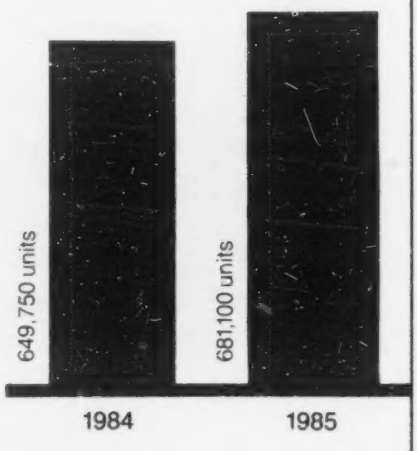
TOTAL DOLLAR SALES: Total dollar sales in 1985 at the wholesale level added up to $71,150,000; as opposed to $62,567,000 in 1984. This former figure should increase in 1986.

WATER SKI SALES: The total wholesale dollar value of water ski unit sales in 1985 was $39,450,000; as opposed to $37,250,000 in 1984.

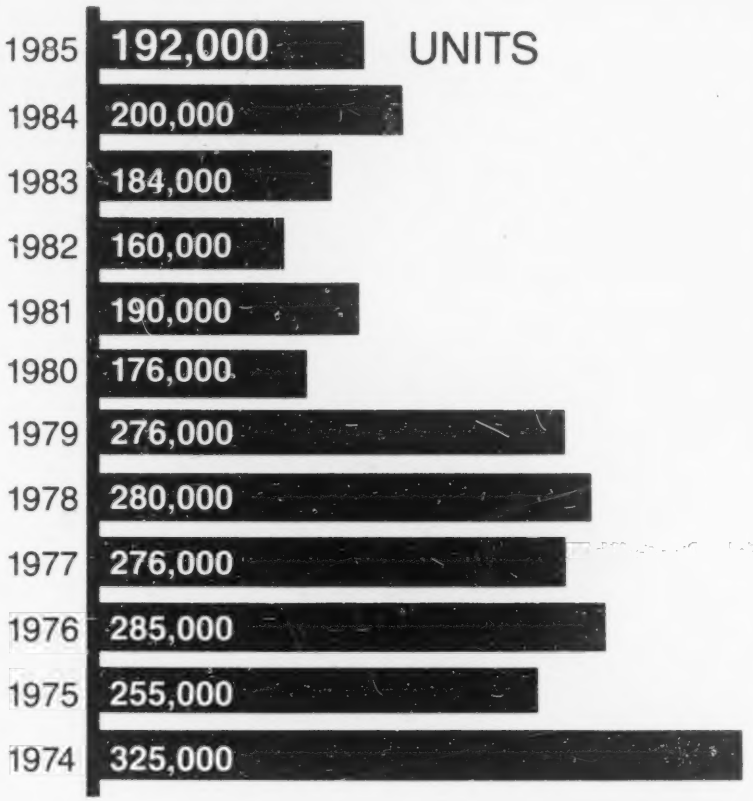
WATER SKI ACCESSORY SALES: At the wholesale level, sales of approximately $21,000,000 were reported for vests, ropes, and other water ski accessories; as opposed to total wholesale sales of $20,430,000 in 1984.

Figures tabulated from several sources, including the Water Ski Industry Association, North Palm Beach, Fla.

UNIT SALES OF WATER SKIS



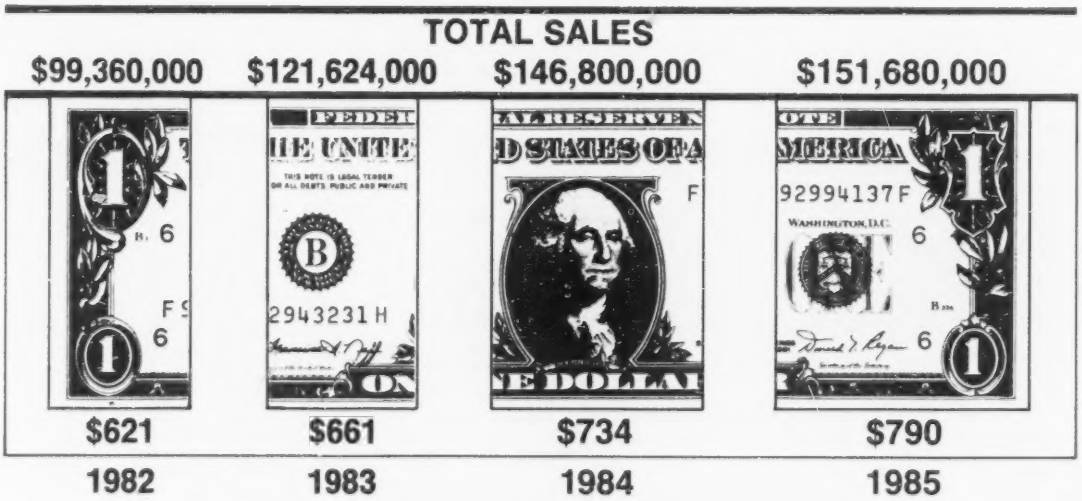
The Trailer Market Hits Plateau



In 1985 the boat trailer market showed a modest 4% decline from 1984, which happened to be an excellent selling year for trailer manufacturers.

Although average unit retail cost escalated to $734 in '85, the price increase—7.6%—was more modest than the 11% price hike paid by consumers on the average for the '84 trailers.

The dip in sales is not viewed with any measurable concern. Trailerable boat sales should keep pace as consumers turn to water skiing and sportfishing in greater numbers. The spectacular growth in popularity of bass boats should also impact favorably on the trailer market. Finally, diminished slip space as a consequence of real estate waterfront developments, and other factors, should translate into enhanced trailer sales.



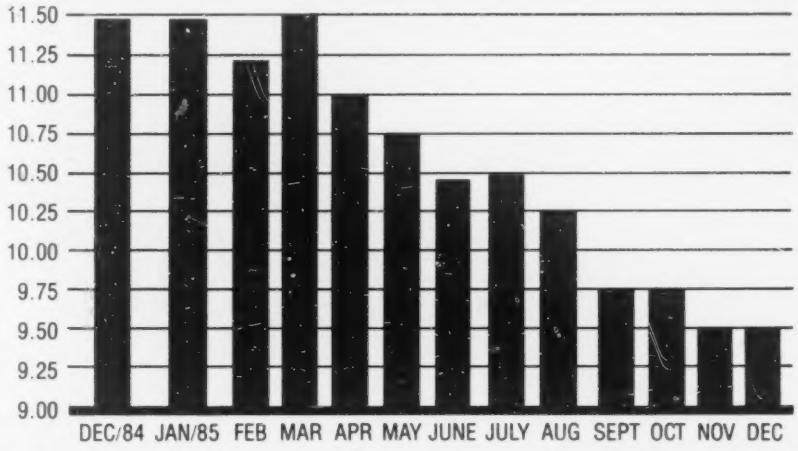
The Financial Marketplace

THE BEST IN YEARS

In 1985, the financial marketplace for consumer marine lending and dealer floorplanning could not have been better as the wide availability of funds at low rates and good terms were at its most attractive levels in years. This bullish environment allowed the recreational boating industry to expand by 20% and permit a third consecutive year of solid growth.

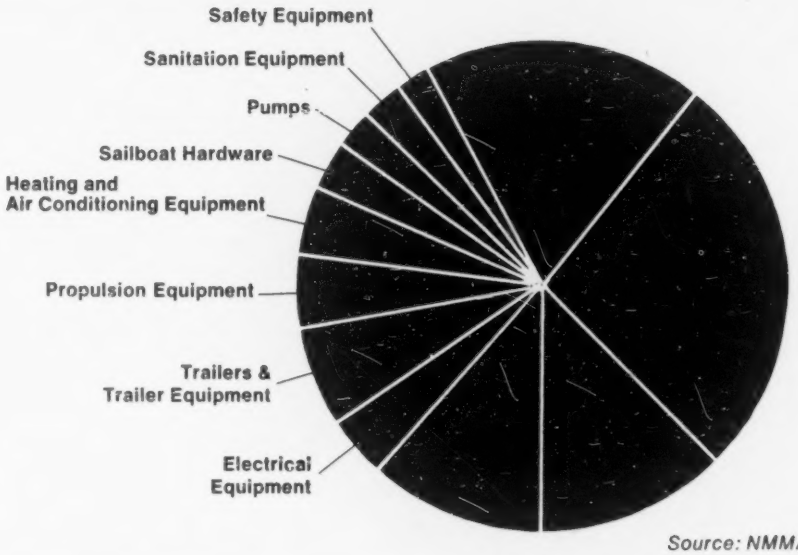
In 1985, the average prime interest rate was 10.50 percent; more than one percentage point below 1984's figure. This permitted consumers to borrow money and dealers to floorplan at affordable rates and terms. But also attracted more lending institutions to deal in marine lending. As a result, this competition spurred many boatbuilders to vie for the floorplanning business of their dealers with extremely attractive factory floorplanning programs. This trend should continue into 1986, as present economic indicators point to continued low interest rates; and, in fact, a potential drop in the prime rate. If the latter occurs, increased industry growth is highly likely. And if it doesn't occur, blame cannot be placed (as in years past) on America's commercial banks, savings & loans and national finance companies. Not since the late seventies has our economic environment been so bullish, and banks willing to look upon boating favorably. These banks have begun to realize that boat loans are a far better financial gambit than car loans.

PRIME RATE PROFILE FOR 1985



The Accessories Market Surges

1985 saw a blossoming of the accessories market which should continue strongly into 1986. After record-breaking boat sales in 1984, the American consumer began to look more closely at the accessories market to improve the boats they purchased. Sales of marine electronics, hardware, maintenance—products even marinewear, saw large gains in 1985. The psychology has been that consumers who wanted a boat, already purchased one in the last three years and have even traded up to better models. But now, for the most part, they are content and looking to upgrade interiors.



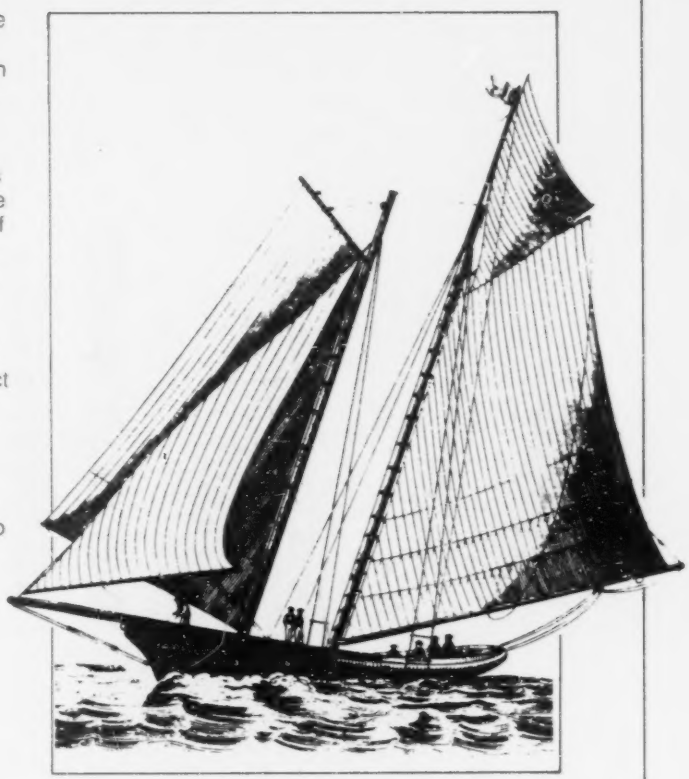
Source: NMMA

Sailboat Market Decline Continues

The sailboat industry failed to stem the market decline that has continued to plague this segment of the industry for the last four years. Since its banner year in 1981 when 73,000 non-powered sailboats and 4,100 auxiliary powered units were sold, sales have plummeted to their present five year low.

Sailboat imports, on the other hand, are doing well. It is estimated that sailboat imports have doubled over the last five years, and now make up approximately 25% of the sailboats on the market. The strength of the U.S. dollar has made imported sailboats attractive from a value standpoint, but in addition, sailors are buying them because of their striking designs.

Despite the inroads made by imported units, and the current glut of used sailboats, industry mavens expect the market to rally modestly in 1986. The projected improvement is seen as a direct result of the industry programs that will be in place to help revitalize the ailing industry. Areas targeted for special attention include consumer education, dealer sales training, a re-positioning of sailing's image, and adding pizazz to American sailboat designs for greater buyer appeal.



	1983	1984	1985
NON-POWERED SAILBOATS, ALL SIZES*			
Total units sold	40,000	36,600	34,000
Retail value	$115,040,000	$118,108,000	$115,430,000
Average retail unit cost	$2,876	$3,227	$3,395
AUXILIARY-POWERED SAILBOATS, 30 FT AND UNDER			
Total units sold	1,290	1,100	1,100
Retail value	$35,900,700	$33,827,000	$37,335,000
Average retail unit cost	$27,830	$30,752	$33,941
AUXILIARY-POWERED SAILBOATS, 30 FT AND OVER			
Total units sold	2,450	3,050	2,700
Retail value	$211,765,700	$241,377,000	$217,620,000
Average retail unit cost	$86,435	$79,140	$80,600

*DOES NOT INCLUDE SAILBOARDS